

# LEGISLATIVE AUDIT COMMISSION



Review of  
Governors State University  
Year Ended June 30, 2000

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Springfield, Illinois 62706  
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**REVIEW: 4148**  
**GOVERNORS STATE UNIVERSITY**  
**YEAR ENDED JUNE 30, 2000**

**FINDINGS/RECOMMENDATIONS - 5**

**ACCEPTED - 4**  
**IMPLEMENTED - 1**

**REPEATED RECOMMENDATIONS - 3**

**PRIOR AUDIT FINDINGS/RECOMMENDATIONS - 6**

This review summarizes the audit of Governors State University for the year ended June 30, 2000, filed with the Legislative Audit Commission March 29, 2001. The auditors performed a financial and compliance audit in accordance with State law and the requirements of the Single Audit Act and OMB Circular A-133. The auditors stated that the financial statements were fairly presented.

Governors State is a senior university created in July 1969 and located in University Park, a southern suburb of Chicago. GSU's major goals are: 1) make quality higher education accessible to groups historically underserved; 2) integrate cultural diversity into every facet of GSU life to build a sense of shared purpose; 3) make informational technologies available and utilized by all units throughout GSU; and 4) expand GSU's service connection with the region to assist in economic, social, and educational development and provide staff and students with "real world" problem-solving learning experiences. Dr. Paula Wolff was President of GSU during most of the audit period until March 31, 2000. Dr. Stuart I. Fagan became president on April 1, 2000. He had no prior position at GSU.

**General Information**

Following is a comparative summary of gross assets of the University at the dates indicated:

	<b>At June 30</b>	
	<b>2000</b>	<b>1999</b>
Current Funds-		
Unrestricted	\$ 7,089,123	\$ 7,071,454
Restricted	1,700,867	2,756,843
Loan Funds	3,371,826	3,411,630
Plant Funds	76,134,203	75,023,234
Agency Funds	3,162,494	3,190,234
<b>TOTAL</b>	<b>\$ 91,458,513</b>	<b>\$ 91,453,395</b>

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Student enrollment as measured in full-time equivalent for the fall term is as follows:

<b>Annual full-time equivalent</b>	<b>2000</b>	<b>1999</b>
Undergraduate	1,643	1,636
Graduate	1,382	1,378
<b>Total FTE</b>	<b>3,025</b>	<b>3,014</b>

According to the audit report, the cost per FTE student in FY2000 was \$13,263 compared to \$12,075 in FY99.

Information on the number of full-time equivalent employees by function and source of funding is as follows:

	<b>2000</b>	<b>1999</b>
Funded by State appropriated funds:		
Faculty	289.4	293.7
Administrative	8.3	8.0
Other professional	82.5	82.7
Graduate assistants	20.8	24.9
Students	24.7	26.3
Civil service	231.6	233.4
<b>TOTAL</b>	<b>657.3</b>	<b>669.0</b>
Funded by nonappropriated funds:		
Faculty & administrative	147.2	152.0
Civil service	56.4	57.8
Students	49.8	52.1
<b>TOTAL</b>	<b>253.4</b>	<b>261.9</b>
<b>GRAND TOTAL</b>	<b>910.7</b>	<b>930.9</b>

### Expenditures From Appropriations

Appendix A presents a summary of appropriations and expenditures for FY2000 and FY99. The General Assembly appropriated a total of \$25,219,900 to Governors State University in FY2000. Appropriations were from the following funds: \$21,109,100 from the General Revenue Fund; \$3,745,400 from the Educational Assistance Fund; and \$365,400 from the Capital Development Fund. Since September 1996, the Income Fund has been accounted for as a locally held fund, rather than an appropriated fund. Revenues from the Income Fund totaled \$10,932,231 in FY2000. Total appropriated expenditures increased from \$23,890,898 in FY99 to \$24,854,500 in FY2000, an increase of \$963,602, or 4%.

### **Accrued Vacation and Sick Pay**

As of June 30, 2000, the University had \$8,144,909 in accumulated unpaid vacation and sick pay on an accrual basis. This compares to \$7,677,558 as of June 30, 1999 and represents an increase of 6.1% in FY2000 over FY99.

### **Current Income and Expenditures**

Appendix B presents a summary of current income and expenditures for the years ended June 30, 2000 and 1999. As of June 30, 2000, Current Funds revenues totaled \$66,114,545 as compared to \$60,979,445 as of June 30, 1999. University revenues increased as the result of small increases in almost every revenue category. The decrease in auxiliary funds is due to decreased theatre ticket sales and reduced subsidy funding by the GSU Foundation. The following chart shows the sources of revenues for FY2000:

<b>Revenues</b>	<b>FY99</b>
State Appropriations	37.6%
Tuition and Fees	15.7
Federal Grants and Contracts	13.3
Payments on Behalf of University	9.8
Auxiliary Enterprises	1.5
Other	22.1

Expenditures and mandatory transfers increased from \$60,716,578 as of June 30, 1999 to \$66,138,848 as of June 30 2000. The increase in expenditures came primarily from general salary increases, sick and vacation leave payouts, and increases in federal financial aid awards and State grants.

<b>Expenditures</b>	<b>FY99</b>
Instruction	33.0%
Student Services	14.1
Institutional support	27.8
Plant	6.6
Staff Benefits	10.6
Other	7.9

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Student services includes counseling and career services, student health services, student financial assistance, and other activities carried out with the objective of contributing to the emotional and physical well-being of students. Institutional support includes activities carried out to provide for both the day-to-day functioning, as well as the long-range viability, of the University as an operating organization and includes executive and financial management, general administration and logistical services, and public relations. "Other" includes research, public service, academic support, scholarships, and auxiliary enterprise expenditures.

### **Accounts Receivable**

Appendix C provides a summary of the University's accounts receivable for FY2000 and FY99. Net accounts receivable increased almost 30% from \$4,409,646 in FY99 to \$5,709,671 in FY2000; and the allowance for doubtful accounts increased to \$2,000,000.

### **Property and Equipment**

Appendix D summarizes the changes in property and equipment for the period under review. The ending balance in FY2000 was \$76.1 million, which was \$1.1 million more than the balance at the beginning of the FY2000. The total is comprised of \$1.4 million in land, \$13.6 million in equipment, \$343,000 in sculptures, \$9.6 million in library books and \$51.2 million in buildings.

### **Foundation Payments to the University**

During FY2000 and FY99, the University engaged Governors State University Foundation under contract to provide fund-raising services. In FY2000, the University provided \$73,130 in services to the Foundation. As required by the contract, the Foundation fully repaid the University with funds considered to be unrestricted. The Foundation also supported the University with an additional \$192,002 in unrestricted funds, and \$197,940 in restricted funds, for a total of \$389,942. This compares to a total of \$404,210 that the Foundation provided to the University during FY99.

### **Tuition and Fee Waivers**

During FY2000, the University granted \$595,400 in tuition and fee waivers, consisting of \$45,900 in mandated waivers and \$549,500 in discretionary waivers. This compares to a total of \$569,200 in tuition waivers that were granted in FY99. Graduate Assistants received the largest amount of tuition waivers, \$279,800. Appendix F provides a summary of tuition waivers for the period under review.

### **Accountants' Findings and Recommendations**

Condensed below are the five findings and recommendations presented in the audit report. Three recommendations are repeated from prior audits. The following recommendations are classified on the basis of information in the audit report provided by Thomas Stepke, Director of Business Operations, Governors State University.

#### **Accepted**

**1. Refine procedures to ensure that all locally-held fund reporting is consistent and accurate. (Repeated-1998)**

**Findings:** The University did not file accurate local fund quarterly reports with the State Comptroller. The University filed quarterly reports showing receipts, disbursements and cash balances for five locally-held funds. Three of the 20 reports tested contained footing errors. One report did not contain a total amount that should have been about \$14,700,000 and the other two report totals differed in amounts between \$246 and \$2,000. All five fund reports for each quarter reported inaccurate cash balances.

University officials state that cash balances for the local funds are determined quarterly based on allocations among the funds. Final allocations are determined subsequent to the lapse period after the reconciliations for the financial statements for the fiscal year.

**Response:** The University will implement the recommendation.

**3. Fully implement recommendations made in the Management Audit of Tuition and Fee Waivers. (Repeated-1999)**

**Findings:** The University has partially implemented the recommendations made in the Management Audit of Tuition and Fee Waivers. The University drafted its "Tuition and Fee Waiver Policies and Procedures," but they were not finalized and approved by the University. Also as of July 2000, GSU had drafted but not finalized procedures for reporting waivers.

Further, at least nine of 22 waivers sampled did not have complete supporting documentation, particularly for the discretionary waivers. The University also did not establish an internal checklist to accompany each waiver to ensure the waiver was supported by complete documentation.

**Response:** The University agrees with the finding and will implement the recommendation.

**4. Ensure that faculty members comply with the University Faculty Research and Consulting Act.**

**Findings:** The University did not comply with the University Faculty Research and Consulting Act, which states that no full-time faculty member may accept anything of value  
**Accepted – concluded**

for research and/or consulting services without prior written approval of the President and an annual statement of actual time spent on the outside services.

The University's Office of the President receives requests from faculty regarding research and/or consulting work to be undertaken. Twenty-nine files were reviewed, and 10 received approval after the work had begun. Two of the files did not contain request forms, and five of 21 faculty members did not file the required annual reports.

**Response:** The University will amend its existing procedures and begin notifying faculty of the requirements at the beginning of each trimester instead of annually.

**5. Review campus safety efforts to ensure coordination with community members, law enforcement and victim services in compliance with State law.**

**Findings:** The University did not establish a community task force as mandated by the Campus Security Act. The purpose of the task force is to coordinate community leaders and service providers to prevent assaults and to ensure a coordinated response of law enforcement and victim services.

**Response:** Accepted. The University will establish a community task force during FY01.

**Implemented**

**2. Finalize policies and procedures for the review of unemployment benefit activity and protest all cases of potential ineligibility. Employing departments must provide necessary supporting documentation to Human Resources so that timely evaluations of unemployment claims can be processed. (Repeated-1999)**

**Findings:** The University's failure to develop adequate controls over the review of unemployment benefit claims and payments has resulted in questionable benefits being paid. Twenty-five former/current employees received \$82,243 in unemployment benefits. The auditors tested 15 individuals who received \$56,866 in unemployment benefits in FY2000 and questioned the appropriateness of \$12,174 in benefits for four of the 14 recipients. The University did not protest the following payments, or waited too long to protest the payments;

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- \$3,840 in benefits to an individual who was terminated for unlawful conduct;
- \$3,406 in benefits to an extra-help worker who resigned;
- \$3,224 in benefits to an individual who received back pay for the same time period as the unemployment benefits; and
- \$1,704 in benefits to an individual who received a vacation payout.

Departments should be notified that when a case of misconduct arises, the specifics of the case should be reported to the Human Resource Department for proper protest on any subsequent unemployment claim.

**Response:** Implemented. The Department of Human Resources has developed and implemented procedures already reviewed and approved by the University's internal auditor.

### **Emergency Purchases**

The Illinois Purchasing Act (30 ILCS 505/1) states, "The principle of competitive bidding and economical procurement practices shall be applicable to all purchases and contracts." The law also recognizes that there will be emergency situations when it will be impossible to conduct bidding. It provides a general exemption for emergencies "involving public health, public safety, or where immediate expenditure is necessary for repairs to State property in order to protect against further loss of or damage ... prevent or minimize serious disruption in State services or to insure the integrity of State records. The chief procurement officer may promulgate rules extending the circumstances by which a purchasing agency may make "quick purchases," including but not limited to items available at a discount for a limited period of time.

State agencies are required to file an affidavit with the Auditor General for emergency procurements that are an exception to the competitive bidding requirements per the Illinois Purchasing Act. The affidavit is to set forth the circumstance requiring the emergency purchase. The Commission receives quarterly reports of all emergency purchases from the Office of the Auditor General. The Legislative Audit Commission is directed to review the purchases and to comment on abuses of the exemption.

During FY2000, the University filed no affidavits for emergency purchases.

### **Headquarters Designations**

The State Finance Act requires all State agencies to make semiannual headquarters reports to the Legislative Audit Commission. Each State agency is required to file reports of all of its officers and employees for whom official headquarters have been designated at any location other than that at which their official duties require them to spend the largest part of their working time.



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Governors State University indicated as of July 10, 2000, no employees were assigned to locations other than that at which their official duties require them to spend the largest part of their working time.

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**APPENDIX A**

**Summary of Appropriations and Expenditures**

	<u>FY2000</u>	<u>FY1999</u>
<b><u>APPROPRIATIONS</u></b>		
General Revenue Fund	\$ 21,109,100	\$ 20,515,900
Educational Assistance Fund	3,745,400	2,804,000
Capital Development Fund	365,400	365,400
Computer Revolving Fund	-	1,192,700
<b>TOTAL APPROPRIATIONS</b>	<b><u>\$ 25,219,900</u></b>	<b><u>\$ 24,878,000</u></b>
<b><u>EXPENDITURES</u></b>		
<b>General Revenue Fund</b>		
Personal services	\$ 17,068,933	\$ 16,512,800
Medicare	164,937	109,300
Contractual services	2,109,974	1,701,800
Travel	273,921	119,900
Commodities	328,053	369,300
Equipment & library books	458,294	1,171,900
Telecommunications	366,795	274,400
Operate auto equipment	44,479	76,900
Awards, grants, & matching funds	143,961	179,600
Permanent Improvements	149,753	
<b>Total General Revenue Fund</b>	<b><u>21,109,100</u></b>	<b><u>20,515,900</u></b>
<b>Educational Assistance Fund</b>		
Personal services	3,727,019	2,432,800
Mediacare	18,381	
Contractual services	-	371,200
<b>Total Educational Assistance Fund</b>	<b><u>3,745,400</u></b>	<b><u>2,804,000</u></b>
<b><u>Computer Revolving Fund</u></b>		
Personal services	-	432,514
Medicare	-	-
Contractual services	-	112,541
Travel	-	-
Commodities	-	3,077
Equipment and books	-	4,951
Telecommunications	-	17,821
Operation of vehicles	-	94
<b>Total Revolving Fund</b>	<b><u>-</u></b>	<b><u>570,998</u></b>
<b>TOTAL EXPENDITURES</b>	<b><u>\$ 24,854,500</u></b>	<b><u>\$ 23,890,898</u></b>

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**APPENDIX B**

**Current Funds**  
**Summary of Revenues, Expenditures and Other Changes**

<b><u>Revenues</u></b>	<b><u>FY2000</u></b>	<b><u>FY1999</u></b>
Educational & general:		
State appropriations	\$ 24,865,450	\$ 23,319,900
Tuition and fees	10,420,621	10,103,172
Student activity fees	1,120,476	1,123,861
Payments on behalf of University	6,456,725	5,592,034
Other sources	10,819,612	9,276,017
Federal grants and contracts	8,800,282	8,844,093
State grants and contracts	2,401,225	1,364,679
Interest/investment income	257,804	175,334
Total educational & general	65,142,195	59,799,090
Auxiliary enterprises	972,350	1,180,355
<b>Total revenues</b>	<b>66,114,545</b>	<b>60,979,445</b>
<b><u>Expenditures &amp; Mandatory transfers</u></b>		
Educational & general:		
Instruction	21,854,998	20,532,609
Research	32,168	59,695
Public service	1,279,712	1,234,364
Academic support	2,199,087	1,972,083
Student services	9,334,588	9,054,558
Institutional support	18,380,081	16,594,672
Operation & maintenance of plant	4,390,425	4,561,840
Scholarships	497,324	432,844
Staff benefits	7,022,332	5,156,821
Total Educational & General	64,990,715	59,599,486
Mandatory transfers for loan fund matching grant	65,030,677	59,658,670
Auxiliary enterprise expenditures	1,108,171	1,057,908
<b>Total Expenditures &amp; Transfers</b>	<b>66,138,848</b>	<b>60,716,578</b>
Excess (deficiency) of restricted revenues over expenditures & other transfers	30,741	98,994
<b>NET INCREASE (DECREASE) IN FUND BALANCE</b>	<b>\$ 6,438</b>	<b>\$ 361,861</b>

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**APPENDIX C**

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**Summary of Accounts Receivable**

<b><u>Current Unrestricted Funds</u></b>	<b><u>FY2000</u></b>	<b><u>FY1999</u></b>
Income Fund	\$ 1,649,378	\$ 1,987,456
Other unrestricted funds	2,417,178	1,167,409
Current Restricted Fund Grants	-	3,152
Loan Fund	37,041	44,410
<b>Total Unrestricted Funds Receivable</b>	<b>4,103,597</b>	<b>3,202,427</b>
 <b>Current restricted fund grants receivable</b>	 <b>1,606,074</b>	 <b>1,207,219</b>
 <b>Net accounts receivable</b>	 5,709,671	 4,409,646
Allowance for doubtful accounts	2,000,000	1,800,000
 <b>Gross Accounts Receivable</b>	 <b>\$ 7,709,671</b>	 <b>\$ 6,209,646</b>

**Aging Schedule**

Receivable Aging		
Current	\$ 3,524,367	\$ 2,670,965
Up to 120 days past due	167,709	201,723
From 121 to 240 days past due	196,516	206,399
From 241 to 265 days past due	94,123	78,724
More than 365 days past due	2,120,882	1,844,616
Allowance for doubtful accounts	(2,000,000)	(1,800,000)
 <b>Net accounts receivable</b>	 <b>\$ 4,103,597</b>	 <b>\$ 3,202,427</b>

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**APPENDIX D**

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**Summary of Property and Equipment**

	<u>FY2000</u>	<u>FY99</u>
<b>Beginning Balance</b>	<b>\$ 75,023,234</b>	<b>\$ 72,072,131</b>
Add - Buildings	722,098	3,234,648
Library Books	677,531	625,831
Sculptures	-	-
Equipment	<u>1,506,458</u>	<u>2,219,525</u>
<b>Total additions</b>	<b><u>2,906,087</u></b>	<b><u>6,080,004</u></b>
Deduct - Library Books	166,500	273,391
Equipment	<u>1,628,618</u>	<u>2,855,510</u>
<b>Total deductions</b>	<b><u>1,795,118</u></b>	<b><u>3,128,901</u></b>
<b>Balance, June 30</b>	<b><u>\$ 76,134,203</u></b>	<b><u>\$ 75,023,234</u></b>

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**APPENDIX E**

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**Summary of Funds Provided by and to the Foundation**

	<u>FY2000</u>	<u>FY1999</u>
<b>Funds provided by the University</b>	<b><u>\$ 73,130</u></b>	<b><u>\$ 90,028</u></b>
<b>Funds provided to the University</b>		
Considered unrestricted for guidelines purposes:		
Totally unrestricted	\$ 23,481	\$ 38,469
Restricted only as to a college	27,200	41,376
Restricted only as to a department	<u>141,321</u>	<u>165,301</u>
<b>Total, guidelines unrestricted</b>	<b><u>192,002</u></b>	<b><u>245,146</u></b>
Considered restricted for guidelines purposes:		
Scholarships	154,039	122,951
Other restricted funds	<u>43,901</u>	<u>36,113</u>
<b>Total, guidelines restricted</b>	<b><u>197,940</u></b>	<b><u>159,064</u></b>
<b>Total funds provided to the University</b>	<b><u>\$ 389,942</u></b>	<b><u>\$ 404,210</u></b>

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APPENDIX F

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**Tuition and Fee Waivers**

	<u>FY2000</u>	<u>FY1999</u>
<b><u>Mandated Waivers</u></b>		
General Assembly scholarships	\$ 22,600	\$ 23,700
Teacher education (special education)	14,900	16,500
Children of employees	7,500	9,700
Senior citizens	900	600
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<b>Total Mandated Waivers</b>	<b><u>45,900</u></b>	<b><u>50,500</u></b>
 <b><u>Discretionary Waivers</u></b>		
Graduate Assistanships	279,800	240,000
Faculty/Administrators	32,200	42,400
Civil service	39,800	51,700
Academic/Other Talent	155,400	128,300
Cooperating Professionals	14,200	23,500
Interinstitutional/ Related Agencies	28,100	32,800
	<hr/>	<hr/>
<b>Total Discretionary Waivers</b>	<b><u>549,500</u></b>	<b><u>518,700</u></b>
 <b>GRAND TOTAL</b>	<b><u>595,400</u></b>	<b><u>\$ 569,200</u></b>

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